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**NATO ENLARGEMENT: BALANCING ECONOMIC AND  
MILITARY OBJECTIVES**

BY

LIEUTENANT COLONEL THOMAS P. BOSTICK  
United States Army

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## **USAWC STRATEGY RESEARCH PROJECT**

### **NATO ENLARGEMENT: BALANCING ECONOMIC AND MILITARY OBJECTIVES**

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**LTC Thomas P. Bostick  
United States Army**

**Dr. Robert Murphy  
Project Advisor**

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**U.S. Army War College  
Carlisle Barracks, Pennsylvania 17013**

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## ABSTRACT

AUTHOR: Thomas P. Bostick (LTC), USA

TITLE: NATO ENLARGEMENT: BALANCING ECONOMIC AND MILITARY OBJECTIVES

FORMAT: Strategy Research Project

DATE: 7 April 1997 PAGES:39 CLASSIFICATION: UNCLASSIFIED

The military requirements of NATO Enlargement should be tied to NATO's overall goal of seeking stability in all of Europe such that it does not undermine political and economic success in new member countries. This paper recommends that new member countries focus major military improvements in areas that will serve a dual purpose, both economic and military. For example, railway repair and/or upgrade can provide significant improvements to the new member country's economy while offering substantive logistical benefit to NATO in times of crises. This paper focuses on Poland, Hungary, and the Czech Republic as potential new members. With the European Community focused on the economic recovery of new member countries and NATO focused on dual economic-military systems and infrastructure, new member countries can best stabilize their military while retaining economic and political gains; this approach is similar to that of Germany and Japan after WWII. A review of NATO's success thus far, along with an analysis of NATO's objectives (ends), strategic concepts (ways), and resources (means) demonstrates the feasibility of developing dual purpose systems and infrastructure to meet NATO's strategic objective of stability in all of Europe.



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## **INTRODUCTION**

Few would argue against the thought that the military requirements of NATO enlargement must complement NATO's overall goal of seeking stability and security in all of Europe such that it does not undermine political and economic success in new member countries. How to accomplish military and economic goals in areas that are often inherently divergent is not so clear.

This paper assumes NATO enlargement will occur, and focuses on methods that will allow military and economic objectives in new member countries to successfully progress together. New member countries that enter NATO must meet military requirements that will make them interoperable with the Alliance as it carries out its missions.

Interoperability objectives are numerous and cover a wide spectrum of areas. Some of these areas include: command and control, communications, commonality in procedures for logistics, port and airfield operations, and ultimately units trained to serve in NATO operations throughout the spectrum of conflict.

Interoperability objectives will not be cheap. For example, defense experts project that the Visegrad countries (Poland, Hungary, the Czech Republic, and Slovakia) must increase their combined defense expenditures from the current level of \$5 billion to anywhere from \$6 to \$8 billion per year over the next 15 years.<sup>1</sup> This increase in defense expenditures assumes that economies in the new member countries will grow as reforms take place and allow them to afford larger military defense budgets.

It is very reasonable to assume that major defense expenditures to achieve interoperability could detract from efforts in other areas of economic reform, particularly domestic concerns, such as education and health care. How NATO and new member countries work together to balance these competing demands is the focus of this paper. To develop this focus, some of the history of balancing economic and military reform in Europe will be reviewed. Using this history as a foundation, today's challenges to new member countries will be addressed. Finally, based on this analysis, recommendations will be presented that are seen as possible ways that new member countries and NATO can achieve this difficult goal of balancing economic and military reform.

## **DISCUSSION**

### **Historical Background**

In some respects, the end of the Cold War presents challenges similar to those experienced at the end of World War II. After World War II, the United States and its Allies assisted its former enemies, like Germany and Japan, with economic assistance in an effort to prevent a future war.<sup>2</sup> The strategic objectives of the United States and its Allies after World War II provide policy makers with lessons that may apply to the end of the Cold War. The North Atlantic Treaty Organization (NATO) was created not only to guard against the Soviet threat, but to provide for the security and stability of the post-totalitarian new democracy of Germany.<sup>3</sup> A review of the Marshall Plan, the creation of NATO, the military and economic growth experience of several countries, and the

interoperability of some current NATO members will aid in the analysis of potential solutions for balancing competing economic and military demands.

### **The Marshall Plan**

The Marshall Plan helped Europe's economy rebound, democracies develop, and the overall military cooperation and alliances to grow. Two countries that serve as good examples of this economic growth following WWII are Germany and Japan. In implementing the Marshall Plan, also known as the European Recovery Program, the United States spent billions of dollars to help restore a war-torn western Europe.<sup>4</sup> At a speech at Harvard University in 1947, Marshall explained that "...it is logical the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace."<sup>5</sup>

### **Creation of NATO**

NATO provides the structure through which the goals of the Alliance formed by the North Atlantic Treaty of April 1949 are implemented. NATO's original purpose was to safeguard the freedom and security of all its members by political and military means. This objective remains unchanged today.<sup>6</sup> Western European countries began to demobilize their militaries between 1945 and 1949 due to the pressing need for economic reconstruction. Since the Union of Soviet Socialists Republic's (USSR) military remained at full strength, Western European countries were very concerned with the expansionist policies of the USSR.<sup>7</sup> To address these concerns, NATO was formed to

provide an alliance built on collective security guarantees and mutual commitments. The collective security of NATO allowed member countries to proceed with economic reconstruction, through the aid of the Marshall Plan, without significant concern in the reduction of militaries in individual member countries.

### **Balancing Military and Economic Growth in Germany after WWII**

The absence of a requirement for defense expenditures immediately after WWII allowed the German economy to develop to a point at which the country could sustain the heavy economic burden that a credible military requires. During the period of reconstruction, beginning in 1945, the Allies decided that the German Army should be permanently demobilized.<sup>8</sup> This afforded Germany the opportunity to focus on its economy before making significant defense expenditures.

After nearly seven years of support offered through the Marshall Plan, Germany recovered economically and entered NATO in 1955. The first units in the new German military, the Bundeswehr, were not formed until 1956. Subsequent expenditures and armament have made the German military what some have said is “the best equipped of all on NATO’s Central Front.”<sup>9</sup>

It is interesting to note that Germany offered very little in military capabilities when it joined NATO in 1955, but the long-term approach toward developing its economy and

military made it the formidable force that it is today. Germany had the benefit of the protection of NATO as it built an economic foundation.

### **Balancing Military and Economic Growth in Japan after WWII**

After WWII Japan also experienced an amazing economic recovery capable of supporting a credible military. As with Germany, Japan enjoyed an economic recovery that benefited from a demobilized military. General Douglas MacArthur led the country in drafting a new Japanese Constitution and began economic reforms that helped return Japan's industrial production to prewar levels by the mid-1950's. From 1960 to 1970 Japan's output increased 10% per year.<sup>10</sup> Although Japan's Constitution does not allow it to wage war, Japan retains a significant Self-Defense Forces including approximately 240,000 air, sea, and ground forces.

Self-Defense Forces were not formally created until 1954 for the internal protection of Japan.<sup>11</sup> Only recently has Japan agreed to take a more active role militarily. It participates in UN Peacekeeping operations, contributed more than \$13 billion to Western Allies during the Persian Gulf War, and is the largest single donor in developmental assistance to Third World nations. Japan has the world's third largest military budget and is one of America's biggest arms markets.<sup>12</sup> Although Japan has not provided a military force contribution in combat around the world, its indirect contributions have been significant.

## **Spain Joined NATO with Limited Interoperability**

With the focus on the requirement for NATO interoperability in new member countries, it is useful to reflect on Spain's ability to contribute to the Alliance, as a more recent new NATO member joining in 1982. An article, written in 1982 in The Economist, describes Spain's ability to support NATO at that time. An excerpt follows:

Spain's immediate contribution to NATO will be space—land and sea space that can be incorporated at once into contingency plans and used for maneuvers. Its smallish air force and navy are respected, although some of their equipment is below NATO standards. Its 225,000-man army is oriented more toward parades, the imposition of martial law and skirmishes with Moroccans than toward defense against the Warsaw Pact. It has only 600 reasonably modern tanks.<sup>13</sup>

Thus, despite NATO's clear concern of a possible Warsaw Pact invasion into Central Europe, Spain joined the Alliance with virtually no capability to project forces.<sup>14</sup> Thus NATO has expanded in the past for indirect military benefits; in the case of Spain, its strategic location rather than its military capabilities may have meant more then...and now.

## **CURRENT SITUATION**

### **The Threat: Reality and Perception**

Although there is no longer a superpower threat from the USSR in Europe, there may be regional or internal threats that require military actions within East Central Europe (ECE) countries or within the countries of NATO allies. Ethnic conflicts, like those in Bosnia, are spreading throughout the world and pose a serious danger to regional stability. Also posing a threat is the proliferation of weapons of mass destruction and refugee flows

caused by difficult economic and political environments. A key part of the U.S. national security strategy is to guard against these threats by enlarging the community of democratic and free-market nations.<sup>15</sup>

Despite the potential threats described above, the absence of a threat from the USSR will make any increase in defense expenditures a challenge in new member countries. Surveys in ECE countries indicate that the majority of people see short-term problems such as crime, unemployment, ethnic unrest, or political instability as the principal sources of danger. Much of the population also feels that NATO is a long-term problem and will be too expensive.<sup>16</sup>

### **Cost of NATO Enlargement**

Various NATO security options range from new member countries providing their own defense to forward presence with NATO forces on new member soil. The estimated cost for enlargement ranges from \$10 to \$110 billion. A middle option centered on power projection is estimated to cost \$42 billion over the next ten years. The budgetary impact on NATO would be small as this amounts to less than 1-2% of NATO's current defense spending.<sup>17</sup> However, the burden on the Visegrad countries, as stated earlier, would be heavier, \$6-\$8 billion per year compared to their current total defense spending of \$5 billion per year. Defense experts point out that economic reforms might allow new member countries to afford the larger military budgets.<sup>18</sup> The European Union will serve an important role in forming the strategic parameters that will allow the economic reforms in new member countries to flourish.

## **The Role of the European Union (EU)**

The European Union (EU) is an organization that seeks member cooperation in a great number of areas ranging from single market to foreign policy matters.<sup>19</sup> The EU seeks to create a common currency as well as common monetary, economic and trade policies.<sup>20</sup> As NATO enlargement proceeds, the EU is also planning for enlargement with a number of countries including those in ECE. Although the EU is concerned with many other strategic matters including cooperation in the legal and military arenas, it is mostly an economic organization.<sup>21</sup> More importantly, the EU serves a vital role in shaping the broad strategic security environment of Europe, for "...in the final analysis, EU enlargement is a half-measure because it offers economic prosperity without security, and NATO enlargement is the same in reverse, because it offers security without economic prosperity."<sup>22</sup> The economic benefits achieved through the EU combined with the military benefits of NATO are reminiscent of the military and economic growth experience by Germany and Japan after WWII.

## **Re-uniting Germany after the Cold War.**

It is also insightful to consider some of the challenges Germany has faced in integrating the former East Germany under the economic, political, and military umbrella of a new Germany. Despite a staggering level of economic assistance, the former East Germany will require a substantial amount of assistance from former West Germany for the considerable future. Seven years after the fall of the Berlin Wall, the former East

Germany is only now beginning to feel the impact of assistance from the west on its standard of living.

The former West Germany has provided the former East Germany \$390 billion of assistance; this is over 40 times the amount (in today's dollars) of the Marshall Fund aid provided to Germany following the end of WWII. Nonetheless, the former West Germany continues to provide the east \$100 billion annually. Even so, estimates range from 10-15 years before the former East Germany's standard of living will match that of the west. Germany spent 1.8% of GNP, approximately \$40 billion in defense expenditures in 1995.<sup>23</sup> Most of the expenditures leading the economic growth of the former East Germany, have been in the construction industry which accounts for one-third of industrial output.<sup>24</sup>

As the Bundeswehr, Germany's Army, began to face cuts, the former East German military forces almost ceased to exist. In re-uniting Germany, only 25,000 of 90,000 East German soldiers were retained in the Bundeswehr as six East German divisions were disbanded. The German III Corps was established in Potsdam in the former East Germany where the old Soviet style BMP-1s were kept in service. German Leopards were provided to complete the tank component. In the former East German Air Force, most combat aircraft and units were disbanded. The German Air Force retained only a squadron of MiG-29 Fulcrums. Thus, even with only modest modernization efforts in the former East Germany, a reunited Germany that is spending only 1.8% of GDP on defense

continues to struggle to balance modernization with economic recovery.<sup>25</sup> NATO and ECE countries will face similar challenges in balancing competing demands among economic and military objectives.

### **ANALYSIS: ENDS-WAYS-MEANS MODEL**

It is useful to review NATO's strategy for gaining stability in Europe by analyzing the objectives (ends), implementing concepts (ways), and resources (means). The ends-ways-means model highlights the challenges facing new member countries attempting to balance military requirements for joining NATO with the need for continued economic growth.<sup>26</sup> A review of the objectives (ends) for ECE country's market-based reforms and NATO's security objectives (ends) reveals the challenges of competing demand for scarce resources (means). This review combined with the historical background provided earlier in this paper will lead to conclusions and recommendations that may help to address these competing objectives (ends).

### **ANALYSIS OF ENDS**

#### **Ends: Market-based Economic Reform Objectives**

All ECE countries are attempting to develop political and market-based economic reform. These reforms are a vitally important part of NATO enlargement.

The main objective behind NATO enlargement is political; that is, to secure and integrate fragile new democracies into the Alliance. It would be a failure for NATO, if a potential new member focused its resources primarily on developing a modern military, but failed economically or continued to demonstrate a nationalist authoritarian government. The focus must be on political and economic change, along with appropriate military change.<sup>27</sup>

Although all ECE countries are in transition to market-based economies, no countries have reached the state of reform where successful transition is guaranteed.<sup>28</sup> As these countries continue to experiment with and employ market-based economic reform, as new members of NATO, they must balance limited resources between these reforms and the costs associated with NATO's objectives.

### **Ends: NATO's Strategic Objectives**

NATO's strategic objective is to enhance security and extend stability throughout all of Europe. The Alliance plans to accomplish this through many measures, for example: support for democratic reform, civilian and democratic control of the military, integration and cooperation in Europe, and strengthening of the Alliance's ability to contribute to European and international security and support for peacekeeping operations.<sup>29</sup> This analysis will focus on the interoperability challenges of the latter of these measures.

New members of NATO are expected to share the roles, risks, responsibilities, benefits, and burdens of a common security and collective defense. NATO encourages new members to concentrate first on accepting NATO doctrine and policies relating to standardization. Standardization priorities include common doctrines and procedures, interoperability of command, control and communications and major weapon systems, and interchangeability of ammunition and primary combat supplies. New members must attain a minimum level of interoperability required for military effectiveness as rapidly as

possible.<sup>30</sup> Although this minimum level of interoperability is still unclear, potential new member countries are actively pursuing the difficult task of balancing economic reform and military interoperability requirements.

## **ANALYSIS OF WAYS**

### **New Member Country Defense Industries**

ECE countries will certainly desire to continue defense industry production as reforms continue. As a member of the Warsaw Pact, Poland, for example, manufactured a number of Soviet-designed items including main battle tanks, helicopters, missiles systems and landing craft.<sup>31</sup> It is important for ECE countries to find methods to continue with some defense industry production without significant detrimental impact to successful market-based economic reform; this will not be an easy task. Again, reviewing Germany's successful economic recovery after WWII, it is important to note that the Federal Republic of Germany did not produce any military equipment between 1945 and 1956.<sup>32</sup>

### **Rail/Road Development**

In the face of political and economic changes, all railways in the former Warsaw Pact countries have steadily lost traffic since 1989. These countries are now focusing efforts to revive this important means of passenger and freight movement through various

methods including railway modernization. Rail improvements are ongoing and planned including the upgrading from single to double track, increasing speeds to at least 160 km/h, and the constructing of new lines to improve east-west traffic.

In meeting market reform objectives, ECE countries desire significant transportation improvements. For example, Poland seeks a program of construction of highways (the total length of 2,600 km), and express routes (3,800 km) and a rail network that would enhance the trans-European infrastructure network.<sup>33</sup> Poland and the newly independent Baltic states agreed in principle to developing a high efficiency north-south rail corridor for traffic to and from central and southeastern Europe.<sup>34</sup> The Czech Republic is programming railway investments, but in some of its key corridors, speeds will not be raised to 160 km/h. In Hungary, upgrading of the Vienna-Budapest line is the centerpiece of its railway improvement, but funding remains a problem. At the same time, the Budapest to Belgrade and Athens line remains single-track and a lesser priority.

Thus, there is much effort and concern by ECE countries to improve the railway system. These efforts may or may not be focused in the areas that would support NATO; many questions remain unanswered for NATO as ECE countries proceed with these infrastructure reforms. Should the corridor from Poland to the Baltic States have greater priority? How important is the rail line from Budapest to Belgrade and Athens versus the Vienna to Budapest line? Does NATO need a minimum speed of 160 km/h or more on new rail lines?

Expenditures in these areas have direct application to the economic development of ECE countries while enhancing the military security of NATO by improving logistical transport capabilities. However, much of the focus for new member countries improving interoperability is found in the Partnership for Peace (PfP) program and in direct military improvements.

### **Partnership for Peace (PfP)**

Partnership for Peace (PfP) is a key element of NATO's political and military cooperation program between its members and non-NATO countries. Through interaction and cooperation, PfP seeks to reaffirm the commitment of its partners to the principles of the United Nations and to assist in development of cooperative military relations with NATO. While full NATO interoperability will not be a requirement for joining NATO, new member countries will need to achieve a certain minimum level of interoperability which is not yet clearly defined by NATO.<sup>35</sup>

ECE countries are actively participating in PfP, but progress in achieving NATO interoperability will be challenging as these countries attempt to balance economic and military requirements. Through PfP planning, joint exercises and other PfP activities, including seminars, workshops and day-to-day representation in Brussels and at Mons, potential new members have an opportunity to become acquainted with Alliance operations.<sup>36</sup> ECE countries like Poland have taken full advantage of the Partnership for Peace (PfP) program, participating in over 250 PfP events during 1995 alone. However,

ECE countries' current slow progress in modernizing their military equipment make it difficult to work in cooperation with NATO allies in combat situations.

### **The Challenge of Direct Military Improvements**

The military objectives of interoperability could easily conflict with economic progress as ECE countries pursue membership in NATO. The effort to modernize the ECE countries' militaries such that they can operate with NATO is daunting. Consider the following summary of military technology in a few of the ECE countries now being considered for acceptance into NATO.

Poland's military force is facing obsolescence. Its current tank inventory includes 1000 T-55s; this 1950 technology is facing obsolescence on the modern battlefield. In addition, Poland has 700 T-72s, 1980's technology. Poland's air force is dominated by 200 MIG-21s from the 1960's; its only current-era models are twelve MIG-29s. At least one-half of Poland's overall inventory will need replacing if only to avoid constant breakdowns, soaring maintenance costs, and poor safety. Finally, the combined inventories of Hungary, the Czech Republic, and Slovakia are about equal to Poland's posture, and their weapons are older than Poland's.<sup>37</sup>

As new member countries attempt military modernization, NATO will remain a significantly strong force. Even after the post-Cold War drawdown, NATO will have approximately 25 divisions capable of mobilization and over 1,800 combat aircraft; this will easily meet the requirements in the ECE region in the near term. It will take years, if not decades, for new member countries to achieve full interoperability and integration with NATO.<sup>38</sup> Consider the following recent assessment of NATO strength vis-à-vis Russia.

"...the Western alliance enjoys nearly a 3-to-1 superiority over the Russians in the number of heavy weapons that it is allowed to deploy under the 1990 Conventional Forces in Europe treaty. The expected admission by 1999 of Poland, Hungary, and the Czech Republic, all former Soviet satellite states, would increase that superiority to nearly 4 to 1."<sup>39</sup>

### **Airport Development.**

Availability of air bases for NATO is diminishing. In Germany, only two air bases remain available to the US military: Rhein Main and Ramstein. Many restrictions are beginning to limit military use including noise-abatement restrictions, quiet hours, and crowding from the nearby civilian terminal at Rhein Main. Ramstein's historical service primarily for fighter operations make it inherently difficult to handle a large-scale strategic airlift. The US, in Operation Joint Endeavor, is utilizing the Hungarian airfield in Taszar, an old MIG-21 field near the Croatian border for strategic airlift in support of forces in Bosnia.<sup>40</sup>

As air base availability in Germany decreases, civilian air bases in ECE countries could provide a significant capability. Poland, for example, has six international airports; yet only one, Krakow, has a runway over 10,000 feet, the size most useful for Allied Air Forces. Hungary and the Czech Republic face a similar situation to Poland's where airfield improvements, if possible, would certainly enhance the ability of NATO forces to project power. Air bases in the Arabian Gulf region were instrumental in providing the US and its Allies with the capability to efficiently deploy the strategic lift required in the Gulf War. The air base in Saudi Arabia, which was not a U.S. air base, but a civilian airport, was vitally important in the overall power projection success.

The importance of these types of infrastructure support for a power projection force in times of crises is clear. For example, in the first thirty days of Desert Shield, the United States landed and processed over 38,000 troops and 163, 581 tons of equipment; this was significantly larger than the deployments in the initial phases of WWII, the Korean War and Vietnam combined.<sup>41</sup> Infrastructure improvements along with limited and very focused military improvements could provide the means for ECE countries to contribute to NATO even though faced with limited financial resources.

## **ANALYSIS OF MEANS**

### **Using Financial Resources**

ECE countries must balance the cost of market reforms such that the populace is satisfied with the economy and their lifestyle against the cost of modernizing the military; this is a challenging task as many countries throughout history have determined. Germany's expenditures to modernize its military with the additional requirements to clean up, upgrade and close former East German military facilities, are modest in comparison to ECE countries seeking NATO membership. ECE countries already exceed Germany's defense expenditures of 1.8% GDP (1995). Countries like Poland and the Czech Republic, for example, spent 2.5%<sup>42</sup> and 6.24%<sup>43</sup> of GDP (1995), respectively for defense. Germany's experience, in financial terms alone, demonstrates how challenging it will be for fledgling democracies in new member countries to develop their economies,

while spending even more, in percent of GDP, to modernize their militaries to NATO interoperability standards.

Some countries could potentially exceed their economic means in haste to join NATO. For example, Poland's Defense Minister, Admiral Piotr Koloziejcyk, has said that the highest priority for military equipment procurement is that which best facilitates its integration into NATO. However, the cost of implementing changes anticipated for Partnership for Peace alone exceed the annual defense budget.<sup>44</sup> Poland and other ECE countries will be better able to prioritize limited funds with NATO's overall strategic guidance for the ECE region. For example, if NATO's strategy for protecting new member countries includes power projection of NATO's air forces, then new member countries may decide to focus limited resources on improving ground forces. If NATO's strategy requires new member countries to provide the bulk of their own self-defense, then there will be a significant military modernization cost; these matters have not been resolved. Barring the development of NATO's long-term strategy for the region, which appears evolutionary, potential new members will proceed in a variety of directions hoping to meet direct military interoperability requirements. There are other means, as discussed below, that will allow new member countries to focus precious resources in areas of value to NATO while the strategic planning in the region continues to evolve.

### **Pre-positioning Equipment and Supplies**

The concept of pre-positioning equipment and supplies is a useful means for countries to contribute to NATO in a powerful way without significant financial expenditures. The U.S. Central Command (CENTCOM), in the Persian Gulf region, has pre-positioned equipment and supplies in various locations throughout the region including a brigade's worth of equipment in Kuwait, and several other agreements in progress.

The importance of pre-positioned equipment is clear. The U.S. recently completed the deployment of a brigade of soldiers from Ft. Hood, Texas to Kuwait in 96 hours compared to the 28 days required to move the same unit during Operation Desert Shield during 1990. The brigade credited the success to the investments in transportation assets and pre-positioned equipment in CENTCOM.<sup>45</sup> Even pre-positioning items less contentious with the Russians like medical and logistics supplies provides a very important contribution by ECE countries.

### **Modernizing the Warfighting Capability**

To fight with other NATO allies, new member countries must begin to modernize their warfighting capability in parallel with economic development. As discussed earlier, ECE countries have an enormous challenge to modernize their militaries; this modernization will clearly require a long-term approach. The long-term approach to modernization is

not to say that new members should not rapidly develop modern military means to assist NATO. New members must be providers as well as consumers of NATO security.

Each new member country must eventually commit forces that can operate effectively with NATO in combat or in operations other than war. The key is to determine the timing and the appropriate level of participation for the different countries. Full interoperability with NATO may require a comprehensive program of development for a decade or more. Consider how long it took Germany's military to work with NATO in operations other than defense of the homeland. The Bundeswehr's deployments to peacekeeping operations in Somalia, Turkey, and Bosnia, demonstrate key logistical and operational weaknesses in one of NATO's strongest members.<sup>46</sup> A technique used by the U.S. Army to plan for the modernization of the force, in the face of difficult budgetary constraints, is to focus new developments on a much smaller scale, a brigade size force.<sup>47</sup>

The U.S. Army's approach of focusing change on a single brigade provides a framework for new NATO members attempting to balance similar competing economic and military requirements. General Sullivan, former U.S. Army Chief of Staff, stated in developing the U.S. Army's Experimental Force XXI, the future force for the U.S. Army, "our belief was that by a process of experimentation and discovery learning, it would be possible to feed the future back into more formal planning processes."<sup>48</sup> The Army's Force XXI experimental brigade focuses far into the 21st Century. New member countries are focusing on more immediate NATO interoperability improvements, but the challenge of

balancing military and economic requirements is similar to the challenge the U.S. Army faces. The greater challenge for ECE countries is finding allies willing to financially or materially support reforms.

### **Achieving Long-term Dividends**

There are long-term investment opportunities for NATO Allies in ECE and these countries are eager for western cooperation in purchasing military equipment. Estimates indicate that the coming weapons market in ECE countries will total about \$40-50 billion of international procurement in the coming decade.<sup>49</sup> Just as Japan has become a major weapons market for the U.S., ECE countries could also develop similar relationships in the future. It is clear that ECE countries like Poland are eager for western military systems, but funding continues to be an issue. In December 1991, Poland became eligible to purchase equipment and services from the United States, however, no major trade agreement has yet been made.<sup>50</sup> The reasons are clear:

“...while Poland would like to purchase a greater percentage of its military equipment from western manufacturers, the nation has financial limitations which must be resolved. To the extent that arms purchased from Western Europe and the U.S. will facilitate further political rapprochement with these countries, it appears Poland is willing if not able.”<sup>51</sup>

## CONCLUSIONS

Several conclusions arise from the analysis above and the review of the history of NATO and of other countries attempting to balance economic and military reform. First, new member countries will find it extremely challenging to balance economic and military reforms simultaneously. The perception of a decreased offensive threat from the former Soviet Union combined with domestic concerns will make increased defense expenditures challenging. The experience of Germany and Japan after WWII highlights the importance of first developing a strong economy that can support the requirements of a strong military. A similar long-term approach with ECE countries would allow new member countries' economies to develop in order to support a credible military force. The long-term approach is more feasible at this time when there is not a major superpower threat from a Warsaw Pact style force.

Second, in the near term, PfP and significant modernization of military equipment appear to be unlikely "ways" of gaining interoperability in new member military forces, particularly considering the economic "means" or resources available. Other "ways" and "means" may provide a long-term solution to achieving both economic and military objectives, as discussed in the recommendations that follow.

Third, allied countries have made significant contributions to NATO's overall capability in very different forms. Although direct military interoperability may be preferred, new member countries can make significant contributions in many different forms. Important

contributions may include a country's strategic location, as was the case with Spain, or the vital infrastructure a country may provide to NATO. By focusing on systems and infrastructure that have both economic and military benefit, it is less likely that military improvements will have a destabilizing effect on fledgling democratic and economic systems. This focus would allow NATO's evolutionary process of developing long-term strategy and interoperability requirements to proceed without new member countries potentially allocating limited resources unwisely.

Fourth, ECE countries can significantly increase the power projection of NATO forces into eastern Europe by the pre-positioning of equipment and supplies required in time of conflict as has been the case in the CENTCOM region of the world. Finally, by focusing all new military interoperability changes on EXFOR brigades, NATO could help ECE countries reduce defense expenditures while still building a modernized force. ECE countries would achieve some direct military improvements without completely restructuring the entire military.

## **RECOMMENDATIONS**

This paper recommends that NATO support Europe's overarching goal of security and stability in all of Europe by asking new member countries to focus interoperability changes primarily in areas that will serve a dual purpose, both economic and military;

major direct military changes should focus on EXFOR brigades in new member countries.

Dual purpose systems and infrastructure may include areas such as air traffic control, communications, ports and air bases, rail, road, and many other similar functions. Efforts of this nature would provide significant capabilities for the new member country's economy while benefiting NATO in times of crises. Improvements in new member countries' infrastructure could help ECE market-based reform while also improving NATO's ability to project power if these improvements are part of an overall infrastructure strategy. Expanded runways, larger parking areas, updated navigational features, and improved cargo handling capability at civilian airports along with rail and road improvements in the ECE would contribute to the economy while also making immediate contributions to NATO.

As ECE countries begin to rebuild their defense industries, NATO could assist in focusing alliance requirements on those systems and infrastructure of dual military and economic benefit. As an example, these areas might include research, development and production in air defense and communication systems.

NATO should address rail, road and airport development in the broad view of security and power projection. While ECE countries eagerly seek entrance into NATO and eagerly seek to improve their infrastructure, NATO and new member countries could both benefit economically and militarily in this important area.

NATO should encourage direct military modernization using the EXFOR brigade concept. Countries that are better off economically may be able to handle more than a single brigade. The EXFOR brigades could serve as experimental brigades testing current NATO equipment, doctrine, tactics, and organization. Allies should consider a variety of arrangements such as loaning or leasing equipment in return for future dividends in the form of payments and/or defense market opportunities. By focusing major direct military changes at the smaller level of the EXFOR brigades, new member countries can allocate other resources in areas that will serve both the military and the economic objectives.

During this rare opportunity when NATO has the military might to address regional conflicts, and new member countries have an opportunity to stabilize their economies, a “win-win” solution is to allow these countries to focus their defense dollars on EXFOR brigades and on infrastructure development which would have dual military and economic benefit.

While there may not be another Marshall Plan in Europe’s future, a NATO that focuses interoperability on dual purpose systems and infrastructure, combined with an EU that levels the economic playing field, may achieve similar results. Until new member countries have developed their militaries to full NATO interoperability, ECE countries may find it difficult to participate in an operation at the level of a major regional

contingency; but, new member countries can contribute by improving the capabilities of NATO in very valuable forms, now, some of which will coincide with the economic goals of new member countries.

With the EU focused on developing a fair economic environment that supports the economic recovery of new member countries, and with NATO focused on gaining interoperability through EXFOR brigades and dual economic-military systems and infrastructure development, new member countries can reduce instability in their economic and political gains. The key in developing NATO interoperability is that neither NATO nor the new members push the military effort beyond the capacity of the economy or the people to support it.

## ENDNOTES

<sup>1</sup> These figures, based on various security options, are taken from the following article. Ronald D. Asmus, Richard L. Kugler and F. Stephen Larrabee, "What will NATO Enlargement Cost?" Survival 38, no. 3 (Autumn 1996): 8-9.

<sup>2</sup> William J. Perry, "A Defense Strategy for the Post-Cold War World," Introduction to the Annual Report to Congress, Washington, 4 March 1996, (IMG ALT="Defenselink NEWS RELEASE" SRC=/defenselink/icons/nr.gif), p.3.

<sup>3</sup> Ronald D. Asmus, Richard L. Kugler and F. Stephen Larrabee, "NATO Expansion: The Next Steps," Survival 37, no. 1 (Spring 1995): 27.

<sup>4</sup> The United States spent over \$13 billion in aid to European Countries. The World Book Encyclopedia, 1994 ed., s.v. "Marshall Plan."

<sup>5</sup> Ed Cray, General of the Army George C. Marshall, Soldier and Statesman (New York: W. W. Norton & Company, Inc., 1990), 613.

<sup>6</sup> North Atlantic Treaty Organization, NATO Handbook, (Brussels: NATO Office of Information Press, 1995), 17.

<sup>7</sup> *Ibid.*, 20.

<sup>8</sup> John Keegan, World Armies, 2d ed. (Detroit: Book Tower 1983), 208.

<sup>9</sup> *Ibid.*, 209.

<sup>10</sup> Kenneth B. Pyle, Michael Robinson, and Jay Rubin, The World Book Encyclopedia, J-K Volume 11(Chicago: World Book, 1994), "Japan," 58.

<sup>11</sup> John Keegan, World Armies, 2d ed. (Detroit: Book Tower 1983), 327.

<sup>12</sup> Asia "Japan (Market Overview)," p. 1, and "Japan (Analysis)," p. 2, Forecast International, July 1996.

<sup>13</sup> The Economist, 5 June 1982, "Ask not only what Spain can do for NATO...," 47.

<sup>14</sup> For a thorough discussion of Spain's limited military capabilities see William L. Heiberg, The Sixteenth Nation: Spain's Role in NATO, (Washington: National Defense University Press, 1983), 15.

<sup>15</sup> The White House, A National Security Strategy of Engagement and Enlargement, February 1996, i and 32.

<sup>16</sup> Daniel Nelson and Georgeta Pourchot, "Drumbeat of NATO Support Falls Silent Among Masses," Defense News, 16-22 September 1996, 42.

<sup>17</sup> Ronald D. Asmus, Richard L. Kugler and F. Stephen Larrabee, "What will NATO Enlargement Cost?" Survival 38, no. 3 (Autumn 1996): 6-7.

<sup>18</sup> Ibid., 9.

<sup>19</sup> New members that the European Union is currently considering for enlargement include: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia., "EU Basics," <<http://eubasics.allmansland.com/general.htm#xtocid266090>> .

<sup>20</sup> Richard L. Kugler, Enlarging NATO: The Russian Factor (California: Rand, 1996), 2.

<sup>21</sup> Ibid., 3.

<sup>22</sup> Ibid., 3.

<sup>23</sup> Central Intelligence Agency, The World Factbook 1995 (Washington: Central Intelligence Agency, 1995), 161.

<sup>24</sup> "Germany, 95 Facts," <http://www.odci.gov/cia/publications/95fact/gm/html>

<sup>25</sup> Defense and Foreign Affairs Handbook, (London: International Media Corporation, 1996), 482.

<sup>26</sup> The U.S. Army War College defines strategic art as: the skillful formulation, coordination, and application of ends (objectives), ways (courses of action), and means (supporting resources) to promote the national interests. This same model is useful in studying the strategy of NATO and new member countries as each pursues objectives that will compete for scarce resources.

<sup>27</sup> Asmus, "NATO Expansion: The Next Steps," p. 29

<sup>28</sup> John P. Hardt, "A Report Card for Economies in Transition," in NATO Economics Directorate, Status of Economic Reforms in Cooperation Partner countries in the mid - 1990s: Opportunities, Constraints, Security Implications, ed. Reiner Weichhardt (Brussels: Office of Information and Press, 1996), 233.

<sup>29</sup> "Fact Sheet on NATO Enlargement,"

<gopher://marvin.nc3a.nato.int/00/natodata/FACTSHEETS/study>, 1, 8 October 1996.

<sup>30</sup> "Study on NATO Enlargement," September 1995, <gopher://marvin.stc.nato.int/00/natodata/ENL/derek.txt>, 24, 8 October 1996. This is a summary of the key components of NATO's military expectations of new members.

<sup>31</sup> NATO & Europe "Poland (Market Overview)," Forecast International, July 1996, 4.

<sup>32</sup> John Keegan, World Armies, 2d ed. (Detroit: Book Tower 1983), 213.

<sup>33</sup> Janusz Kostecki and Leon Turczynski, "Poland's Participation in Establishing an All-European Security System: The Economic Conditions," in NATO Economics Directorate, Status of Economic Reforms in Cooperation Partner countries in the mid-1990s: Opportunities, Constraints, Security Implications, ed. Reiner Weichhardt (Brussels: Office of Information and Press, 1996), 257.

<sup>34</sup> James Abbott, Jane's World Railways, 37th ed. (Alexandria: Jane's Information Group, 1995), 648.

<sup>35</sup> "Study on NATO Enlargement," September 1995, <gopher://marvin.stc.nato.int/00/natodata/ENL/derek.txt>, 14, 8 October 1996.

<sup>36</sup> Ibid., 13.

<sup>37</sup> Richard L. Kugler, Enlarging NATO: The Russian Factor (California: Rand, 1996), 244. This is a summary of the key military shortcomings identified by the author.

<sup>38</sup> Ronald D. Asmus, Richard L. Kugler and F. Stephen Larrabee, "What will NATO Enlargement Cost?" 11.

<sup>39</sup> Carla Anne Robbins, "NATO to Offer Troop Cuts to Quell Russian Fears of Alliance's Expansion," The Wall Street Journal, 19 February 1997, p. A12.

<sup>40</sup> Captain Jim Lackey, USAF, "Airlift's Achilles' Heel: US Forces Need Better Forward Airbases—And They Are Available," Armed Forces Journal International, July 1996. 42-43. This is a summary of thoughts proposed by the author. The article goes into further detail into other options that will meet the requirement of forward bases. He also provides more in-depth analysis of the challenges in Germany's military airbases and the requirement in converting old Soviet air bases.

<sup>41</sup> William G. Pagonis, Jeffrey L. Cruikshank, Moving Mountains (Boston: Harvard Business School Press, 1993), 6.

<sup>42</sup> Jane's Sentinel, "Poland," in Central Europe and the Baltic States (United Kingdom: Jane's Information Group, 1996), 14.

<sup>43</sup> Jane's Sentinel, "Czech Republic," in Central Europe and the Baltic States (United Kingdom: Jane's Information Group, 1996), 13.

<sup>44</sup> NATO & Europe "Poland (Market Overview)," Forecast International, July 1996, 1 and 4.

<sup>45</sup> Sean D. Naylor, "Creeping Hollowness," Army Times, 3 February 1997, p. 14.

<sup>46</sup> The challenges experienced by the Bundeswehr in deployments in the 1990s are patently clear and outlined in a document by Thomas-Durell Young, Trends in German Defense Policy: The Defense Policy Guidelines and the Centralization of Operational Control (Pennsylvania: Strategic Studies Institute, U.S. Army War College, 1994), 14.

<sup>47</sup> Ronald D. Asmus, Richard L. Kugler and F. Stephen Larrabee, "What will NATO Enlargement Cost?" Survival 38, no. 3 (Autumn 1996): 22. Authors recommend establishing cornerstone units capable of "side-by-side" operations with NATO forces.

<sup>48</sup> Gordon R. Sullivan and Michael V. Harper, Hope is Not a Method (New York: Random House, 1996), 42.

<sup>49</sup> Richard L. Kugler, Enlarging NATO: The Russian Factor (California: Rand, 1996), 246.

<sup>50</sup> NATO & Europe "Poland (Market Overview)," Forecast International, July 1996, 1.

<sup>51</sup> NATO & Europe "Poland (Analysis)," Forecast International, July 1996, 1.

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